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FEDERAL COMMUNICATIONS COMMISSION  
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Washington, DC 20036  
202 457-3810

June 5, 1997

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
1919 M. St., NW, Room 222  
Washington, D.C. 20554

RE: Ex Parte Presentation  
Universal Service: CC Docket No. 96-45

Dear Mr. Caton,

Today, Mike Lieberman and I of AT&T, and Chris Frentrup of MCI met with Chuck Keller, Robert Loube, Tejal Mehta, Natalie Wales, Bill Sharkey, Brian Clopton, Emily Hoffner, Mark Kennet, Lauren Burger and Lauren Sloane of the Common Carrier Bureau. David Dowds and Greg Fogleman of the Florida PSC participated as well. The purpose of this meeting was to discuss the Commission's criteria for proxy cost models and the degree to which these criteria are, or will be met by the Hatfield Model. A copy of the materials presented at this meeting are attached.

A substantial portion of the discussion focused on the types of new data that would be useful to permit the models to refine their estimates of loop costs and the documentation required for other input values. AT&T reported that approximately 93% of the lines data in the Hatfield Model have been successfully geo-coded. This fraction rises from about half in the first density zone and rises to about 100% in the fourth zone. It tails off slightly in the ninth zone. AT&T and MCI also committed to provide the Commission with its recommendations for the data that should be collected for the models' new inputs and to provide a timeline for how developments to the Hatfield Model will be rolled out.

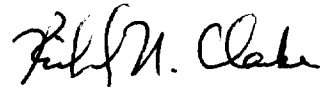
In addition, we supplied the Staff with a requested diskette of Hatfield CBG input data for the Century Telephone Company of Ooltewah - Collegedale, Tennessee.

No. of Copies rec'd 041  
List A B C D E

Mr. William F. Caton  
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Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard N. Clarke". The signature is fluid and cursive, with the first name "Richard" and last name "Clarke" being the most legible parts.

Richard N. Clarke

Attachments

cc: Chuck Keller  
Robert Loube  
Tejal Mehta  
Natalie Wales  
Bill Sharkey  
Brian Clopton  
Emily Hoffner  
Mark Kennet  
Lauren Burger  
Lauren Sloane  
David Dowds  
Greg Fogleman

## **COST MODEL CRITERIA**

1. Use the least-cost, most-efficient, reasonable technology currently being deployed, subject to:
  - existing LEC wire center locations;
  - loop design should not impede the provision of advanced services;
  - wire center line counts should equal actual ILEC wire center line counts;
  - average loop length should reflect the incumbents actual average loop length.
2. Associate a cost with all network functions and elements used to provide service.
3. Include only forward-looking economic costs, based upon the current cost of purchasing facilities and equipment, rather than list prices.
4. Use rate of return that is either the authorized federal rate of return on interstate services, currently 11.25%, or the state's prescribed rate of return for intrastate services.
5. Use economic lives and future net salvage values within the FCC-authorized range.
6. Model costs based on providing service to all businesses and households, including multi-line business services, special access, private lines, and multiple residential lines, in order to reflect the economies of scale associated with the provision of these services.
7. Provide a reasonable allocation of joint and common costs to the supported services.
8. Availability to all interested parties of the model and all underlying data, formulae, computations, and software, with all underlying data verifiable, engineering assumptions reasonable, and outputs plausible.
9. Capability to examine and modify the critical assumptions and engineering principles.
10. Support calculations must be deaveragable to the wire center, and, if feasible, to CBG, Census Block, or grid cell level, subject to the caveat that it is more difficult to determine accurately where customers are located as the support areas grow smaller.

DOCUMENT OFF-LINE

This page has been substituted for one of the following:

- o An oversize page or document (such as a map) which was too large to be scanned into the RIPS system.

- o Microfilm, microform, certain photographs or videotape.

- o Other materials which, for one reason or another, could not be scanned into the RIPS system.

The actual document, page(s) or materials may be reviewed by contacting an Information Technician. Please note the applicable docket or rulemaking number, document type and any other relevant information about the document in order to ensure speedy retrieval by the Information Technician.

A large, stylized handwritten signature in black ink, appearing to read "J. Ruskette". The signature is written over the bottom portion of the typed text.